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THE FARMERS' TARIFF

Address by Cully A. Cobb, director of the Cotton Division, Agricultural Adjustment Administration, over the Dixie Network of the Columbia Broadcasting System at 7:15 p.m. (E.S.T.), Saturday, April 27, 1935.

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Most of you, I am certain, have been hearing, or reading, in the past few weeks, about cotton and the cotton processing tax. It would have been hard to escape the current furore, which to my mind has a touch of the hysteria that characterized the witch hunts of Colonial days.

Intemperate and misleading statements have been flung about as recklessly as cobble stones at Donnybrook Fair. But, after all, controversy is a means of education, and in the long run you and your fellow citizens will have to size up the situation and make the decisions on the many problems connected with cotton and the other agricultural products.

You have no doubt heard oft-repeated wails that the cotton processing tax and Japanese textile imports were ravaging New England mills as the boll weevil once devastated the Southern cotton fields. I have seen story after story about the closing of textile mills, or the curtailment of their operations, that blamed the cotton processing tax or the Japanese imports, or both. It might be said here that the Japanese imports of cotton goods amount to less than one percent of our domestic production.

There has even been an attempt to persuade the Southern farmer to join

in the effort to take away the only effective tariff he has ever had. There is irony in the fact that the textile industry attempts on the one hand to raise tariff barriers that are already high, in order to keep out the tiny trickle of Japnaese imports, and on the other hand to deprive the farmer of all the protection he has.

Let me read you a statement on the processing tax which lucidly sums up the situation:

"As it stands today, the processing tax is the farmer's tariff. Every argument that can be made for the tariff can be made for the processing tax. As long as the farmer must buy in a protected market he must have the benefit of the processing tax system on products whose price is fixed in world markets. Agriculture has been fighting for this principle for years, and it is not going to give it up at this time, no matter how loud the wails from New England. Whenever you get ready to give up the tariff system, whenever you are willing that the textile industry should operate without protection, then American farmers will be ready to listen to the proposal to take off the processing tax."

That ringing assertion did not come from an official of the Agricultural Adjustment Administration. The author is Representative Clifford Hope, of Kansas ranking Republican on the House Agriculture Committee.

Mr. Hope is from a state that has little direct interest in cotton but he knows the sources of the attempt to destroy the processing taxes. His primary interest is in the farmer and his welfare. Listen to what he says about the claim that the processing tax is ruining the textile industry:

"The processing tax has NOT injured the textile industry. Every penny of this tax has been passed on to the consumer, and like other taxes, no doubt in some cases something has been added. The extra cost in the retail price of cotton goods caused by the processing tax has been so little as to be insignificant and has in most cases been much less than the increased cost due to the operation of the N.R.A. codes.

"As a matter of fact, the processing tax is fair and just in every way, and the only basis for the objection to it is that cotton manufacturers are not willing to pay the farmer a fair price for his cotton."

That is strong language but Mr. Hope follows it with other assertions just as strong.

"Now in conclusion," he said, "let me say that if the processing tax on agricultural commodities goes--and it will go on all commodities if this attempt to repeal the processing tax on cotton is successful--then our tariff system goes. This is not a threat, but I am simply stating an economic fact, because under present conditions the American farmer can not buy in a protected market and sell in a world market, and so I suggest to my good friends from New England that they go back to their constituents, tell them to get over their hysteria, tell them that Congress and the country sympathize with their plight, and are willing to help them, but that such help must not be solely at the expense of the American producer of agricultural products."

I must apologize to Mr. Hope for letting him make so much of my speech but he says the things I want to say in convincing fashion and he represents the bi-partisan viewpoint of a man interested in the welfare of all the farmers of the country.

Figures I have assembled bear out Mr. Hope's statement that the processing tax does no real injury to the textile industry. The cotton tax is 4.2 cents a lint pound. Official estimates are that the tax adds 1.3 cents to the cost of the cotton required to make a yard of muslin; around three cents for a work shirt and eight cents for a pair of overalls. Surely, such comparatively small price increases could not have cut consumption of cotton goods until mill after mill must close and throw its employees out of work.

Can the operators be seeking to divert the resentment of their employees working only part time or not at all, to the AAA?

Figures on cotton consumption do not bear out the extreme claims of some mill owners. The cotton year begins August 1. Through March, 1935, cotton consumption by domestic mills totaled 3,634,027 bales. For the same period in the cotton year 1930-31, mill consumption was only 3,384,135. That was before there was any such thing as the Agricultural Adjustment Administration, or a processing tax. Consumption in the first eight months of the cotton year 1931-32 was 3,565,839 bales. Both 1930-31 and 1931-32 were years in which cotton was extremely cheap.

Domestic mill consumption for the first eight months of the current cotton year just about parallels domestic mill consumption over the past five years. Keeping in mind that many mills were closed last fall by the textile strike, I think the statements that the cotton tax has drastically cut consumption are as full of holes as a flour sieve.

NOT all New England, or other textile interests, have joined in the processing tax and Japanese import campaign. Some of their wisest leaders have centered their attention on the real problems of their business. In this connection I have before me a clipping from the Boston Herald of April 15. I quote from it:

"NOT Japanese competition nor the processing tax, but over-production was blamed yesterday for the present crisis in the New England textile industry by J. Foster Smith, agent of the Pequot Mills in Salem, and Ernest N. Hood, treasurer of the same mill and president of the National Association of Cotton Manufacturers."

Both men said, according to the Herald article, that the claims about Japanese competition were so exaggerated that they constituted propaganda.

On American raw cotton that is exported, no processing tax is paid; but on finished cotton goods that are imported into this country there is levied a compensatory tax equal to the processing tax paid by domestic processors. This compensatory tax is in addition to the existing tariff, and the proceeds from it are applied to the cotton program.

Japan pays the market price for American raw cotton, transports it half way around the world, pays a tariff and the compensatory import tax to get the finished goods back into the United States. That set-up hardly seems to give her any new competitive advantage over American processors, as a result of the cotton adjustment plan.

The price of cotton, with the 4.2 cent processing tax added, is just a fraction over 16 cents today. The parity price for cotton also is approximately 16 cents.

Parity is the fair-exchange value of cotton, a fair price for the staple when the things the farmer has to buy are taken into consideration. It is the goal of the Agricultural Adjustment Act.

I believe that the next few months will find many of the far-sighted leaders of the textile industry cooperating with the Administration in an effort to work out a sane and sensible solution to their very real problems. And the Agricultural Adjustment Administration will give them every possible aid because the farmer most certainly has a direct interest in the solvency and prosperity of the industry that buys his cotton.

Some of the manufacturing interests were aware, even in the dark days of 1932, of the interdependence of their prosperity and that of the farmer. The sharp stimulus given many businesses since the price of farm products begain to rise, has made others aware of the link.

As you well know, the price of cotton was very low in 1932. It rose steadily during most of 1933, the year the adjustment program went into effect.

The South's added buying power in 1933 and 1934 put thousands of city workers back on their jobs. I have before me a table showing the percentage increases in department store sales in three Southern federal reserve districts in 1934 as compared to 1933 when the cotton program was effective for only a part of the year.

In the Atlanta district the rise was 21.8 percent; in the Dallas district, 19.9 percent and in the Richmond district, 16.7 percent. To a large extent, the rise in cash farm income corresponded with the increase in department store sales. The cash farm income for the Dallas district in 1933 was $416,779,000 and in 1934, $439,794,000; the comparative figures for Richmond was $344,849,000 and $479,801,000; and for Atlanta, $400,897,000 and $491,407,000.

But significantly enough, in the Dallas district the cash farm income would have declined in 1934, as compared to 1933, had it not been for $85,168,000 in rental and benefit payments. This money was raised through the processing tax.

Some of the staunchest supporters of the Agricultural Adjustment Administration's programs are found among the farmers in the areas blistered by drought in 1934. They know that the adjustment efforts can serve as crop insurance -- the first crop insurance, I think, that the American farmer ever had during his years of struggle with drought, flood, wind and insects.

You have been told about the decline in cotton exports. As I have said, that is a matter of vital concern. Some of us think we know the principal reason and that is the tariff. Industrial interests have insisted that foreign goods be kept out and so barriers have been raised higher and higher. But the foreigner must sell to us if he is to buy from us. The result has been the strangulation of most of our agricultural export market.

Nevertheless the fact remains that the volume of cotton exports in the calendar year 1934 were 30 percent below those of 1933. Something that only a few of you have heard, however, is that the dollars and cents value of these exports declined only 6 percent. In other words, in 1934 this nation received only 6 percent less money for 5,900,000 bales of cotton than it received for 8,500,000 bales in the previous year.

The farmer and the rest of us might ponder whether it would not be to our interest in the long run to raise and export a bit less cotton if we receive as much or more for it as for our exports of other years.

Secretary Wallace has often expressed his faith in the fundamental common-sense of the American people and their ability to make the right decisions if they have adequate data. The people are studying their economic problems for themselves. They are less and less willing to take other peoples' assertions at face value.

I am confident that our programs will be judged by the farmers on the basis of accomplishments. And in that belief I will risk the prophecy that those who feel that the American farmer will willingly surrender the processing tax, should prepare for disillusionment.

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